EVALUATION IN FOUNDATIONS: HOW ITS PURPOSE AND PRACTICE REFLECT INSTITUTIONAL CULTURE

BY LINDSAY TUCKER

SPRING 2013

THESIS

Presented in Partial Fulfillment of the Requirements for

The Master of Science in Arts Administration Drexel University

By

Lindsay Tucker, B.A.

* * * * *

Drexel University
2013

Approved By

_____

Neville Vakharia, Degree Advisor
Graduate Program in Arts Administration

ABSTRACT

The growing emphasis on accountability and effectiveness has pushed grantmakers to be more data driven in communicating the achievement of their outcomes. Literature on this subject suggests that grantmakers do not utilize evaluation methods to articulate the connection between their outcomes and their organizational mission and objectives, and are unwilling to adopt evaluation for this purpose. This paper examines whether or not Greater Philadelphia grantmakers in the arts are part of this population and finds that grantmakers of all sizes have and continue to practice evaluation in ways unique to each institution. The observed challenge facing these grantmakers is to adopt *efficient* and *practical* evaluation practices to understand, articulate, and monitor each funder's discrete grantmaking objectives. Each grantmaker's objectives are either impact or support-oriented, and this orientation denotes a funder's institutional culture (i.e. staff size, overall annual grant budget, and funding priorities). These two orientations are the root of not only grantmaking strategy, but how a grantmaker practices and uses evaluation.

ACKNOWELDGEMENTS

I would like to express the deepest appreciation to all of the grantmaking organizations and sector experts who took the time to speak with me about this subject. Your accessibility and cooperation was beyond my expectations. It was not only informative, but inspirational to speak with leaders in the field and I hope our paths will cross again some day.

I would like to extend my most sincere gratitude to Neville Vakharia for his enthusiasm and guidance on this topic and support throughout this process.

Finally and most importantly, thank you to my family who supported me these past two years of the program and more importantly these past few months as I worked to accomplish this milestone.

TABLE OF CONTENTS

INTRODUCTION

The turning point that put increased demand on foundations to articulate their effectiveness and accept accountability for their grantmaking was the passing of the Government Performance and Results Act of 1993. Policy makers, the public, and the media are calling for grantmakers to measure how their respective organizations achieve their mission and how that impacts society (Grantmakers for Effective Organizations and Council on Foundations 2009). Scrutiny from regulators and the public led grantmakers to work to develop the necessary metrics and tools to demonstrate the larger impact and effectiveness of their giving (Behrens and Kelly 2004). A list of grantees and a brief description of their projects is no longer satisfactory. According to Chen, accountability is demonstrated by documenting grant-supported activities and accomplished outcomes (Chen 2011). We want to understand how grantee outcomes indicate progress in the fulfillment of grantmaker vision and objectives. This has led to increased demand for both grantmakers and their grantees to communicate how money is being used—if they are doing what they set out to do and if it is socially relevant. The response is increased use of evaluation in all stages of the grantmaking process. Grantees assume that the results of their evaluation are a

condition for continued support (Buteau, Buchanan, and Brock 2009), while in reality grantmakers utilize evaluation to gather relevant information that measures how they are achieving their mission and goals (Grantmakers for Effective Organizations and Council on Foundations 2009). Evaluation has become a pervasive practice in grantmaking. However, there is a distinct gap in foundations' current practice of evaluation and their acknowledgement of the value of evaluation to assess their performance and improve their grantmaking. Grantmakers invest in evaluation to measure their grantees' achievement, but are still unclear on the full value of evaluation and its numerous uses beyond assessing accountability and achievement (Behrens and Kelly 2004). If evaluation is not used in their institutional development, why is it used? What drives their decision-making and grantmaking strategy? How do they know their grantmaking is effective? Eckhart-Queenan and Forti state that grantee evaluations (to provide information to the grantmaking agency), program evaluation (of the entire foundation and its progress in achieving its goals and implementing its strategy), and evaluation in general are important, undervalued, and underused tools for learning and improvement with the potential to strengthen grantmaking (2011). If there is a true lag in adopting evaluation for these purposes, what is preventing grantmakers from using evaluation to its full potential?

In today's measurement culture, charitable and philanthropic organizations nonprofits should clearly demonstrate their effectiveness and social impact—to demonstrate their value. But what is the most effective way for grantmakers to

illustrate their impact? Grantee reporting is too discrete and thus an insufficient measure of a grantmaker's institutional impact. However, individual grantee evaluation is the traditional method with which to assess the achievement of institutional goals. This method is the easiest to implement, but the data are difficult to generalize for grantmaker programs or overall funder performance. Individual grantee evaluation holds each grantee accountable for their outcomes, but the resulting data is too specific to be valuable to the grantmaker. In this instance, evaluation has little value in helping grantmakers understand their achievements. Grantmakers should implement evaluation to gather information they can use. If the data has no relevance to grantmaker strategy and cannot be used for institutional improvement, then why practice evaluation? Evaluation can only enable grantmakers to efficiently achieve their goals and improve their performance when grantmakers ask relevant questions and utilize the responding data. But are foundations aware of this capacity and do they have the institutional conditions to adopt evaluative learning? What do grantmakers evaluate, why, and what do the results inform? This study aims to discover whether Greater Philadelphia grantmakers in the arts are using evaluation to learn and improve their performance, and the role evaluation plays in their institutional development.

With a decline in investment returns, grantmakers were faced with achieving the same outcomes with less funding, and needed to reevaluate their grantmaking. They began to use evaluation to inform the adjustments to their grantmaking strategies. This in turn revised why and how grantmakers evaluate

their applicants, grantees, and themselves.

Bolduc claims that because private grantmakers have no competitive pressures they see no imperative to be effective and strategic (Bolduc and others 2007). But that has changed in light of the new economy. Foundations are gradually transitioning to the institutional ethos that their grantmaking should have clear results. Grantmakers now behave more as investors instead of contributors (Easterling 2000). This is a signal of the transition of 21st-century grantmaking caused by the recent economic recession and whose development parallels the increasing focus on assessment and accountability.

Grantmakers shape their evaluations and indicators to align with their grantmaking strategies and objectives. By logical association, we know that grantmakers achieve their outcomes through the actions of their grantees. Grantees are a reflection of their grantmakers, which is communicated even in the grant application process. Nonprofits must qualify for funding based on a set of criteria aligned with grantmaker mission, vision, scope, and standards. But what is left to understand is how that achievement is articulated, measured, and used. Evaluation from a grantmaker's perspective is first and foremost an internal tool intended to help grantmakers understand their programs. Grantmakers understand the importance of grantee evaluations, but believe that most evaluations provide an incomplete measurement of grantmaker impact (Center for Effective Philanthropy 2002). This impact and grantee effectiveness are incorrectly measured through expenses, revenues, and attendance. Evaluation must be

relevant to the grantmaker's discrete objectives to properly reflect the value and impact of their grantmaking. No two grantmakers share the same vision for successful grantmaking, and thus no two grantmakers should have shared methods to evaluate, monitor, and articulate their success. Grantmakers should articulate what success means to them, how they will get there, and the accompanying metrics in the same language with which they describe the goals for their giving. They should regard evaluation as an efficient and useful institutional tool (Gullickson 2010) to develop, implement, and improve grantmaking and not an exercise in criticism and compliance.

Evaluation is a valuable tool to understand how grantees are helping grantmakers achieve their organizational goals. Evaluation, of both grantees and themselves, gives grantmakers the opportunity control the measurement and compare their performance against stated missions, objectives, and outcomes and strengthen their grantmaking. But despite evaluation's qualification to improve grantmaker strategy, grantmakers are seemingly only able to utilize evaluation to quantify and record grantee outcomes (Behrens and Kelly 2004).

But is this the case for our local arts philanthropy field? Looking at Philadelphia grantmakers that support arts and culture, I investigate how grantmakers are using evaluation and the role it plays in their grantmaking strategy and process. How do they evaluate their grantees, themselves, and how do those outputs shape the unique discipline that guides their grantmaking (Porter and Kramer 1999)? According to Patrizi and Thompson, grantmakers place an

greater focus on measuring their grantees' outcomes but seldom evaluate their grantmaking and its strategy as indicators of achievement and impact (2011). Transparent evaluation design and purpose is a factor in this evaluation and grantmaking effectiveness. Clarity, from grantmaker staff of the purpose of evaluation and how it will be used is essential to its effective practice. Grantmaking must find clear and significant benefit to evaluation. Does one's understanding of evaluation influence their participation and experience? This approach is difficult for grantmakers to accept (Behrens and Kelly 2004). What factors prevent the adoption of this outlook and application of evaluation? A change in communication could transform evaluation from a burden used to support grantmaking to a process embraced by grantmakers to enhance grantmaking.

This study focuses on how grantmakers are using evaluation, not the role of evaluation in program development. The reason is twofold: 1) to include grantmakers of all sizes and structures, including those without discrete grant program categories, and 2) to understand at the most basic level the practices and applications of evaluation. All grantmaking organizations are different, and so the "trickle down" effect of a grantmaker's general approach to evaluation is not generalizable.

Evaluation is a research tool for effective philanthropy. Through literature and interviews, I looked at seven Philadelphia-area grantmakers in the arts and their evaluation systems to understand if and how they are practicing evaluation to

learn about their grantees and improve their grantmaking. Additionally, I will understand the purpose and value of the data they gather. This is an examination of evaluation, its purpose, and the relationship between these inputs and a grantmaker's strategy. I will use foundation literature, their grantee evaluation forms, as well as interviews with program officers, grantees, and philanthropy consultants and writers to fully understand the role of evaluation in these foundations.

Foundations that do not practice formal evaluation to assess both their grantmaking programs and their grantees still recognize the value of evaluation and developed alternative systems to evaluate their grantees and themselves. The amount of formalized evaluation is proportional to institutional factors including staff size and average grant amounts, and cannot be categorized as a reluctance to embrace evaluation as a learning tool. Smaller foundations lack the resources and do not see the value in measuring the direct impact of their grants due to their small amounts. Evaluation is a dynamic tool to understand effectiveness as it relates to each grantmaker's discrete objectives. Foundations of all sizes use grantee evaluation at different stages of their grantmaking process to reflect and improve the overall performance of a grant program or small foundation—to articulate, monitor, and verify their institutional objectives.

CHAPTER ONE – LITERATURE REVIEW

There is a growing focus on evaluation from a foundation and nonprofit policy perspective—a demand for these institutions to demonstrate their impact and measure their results to prove their social value (Campbell and Forti 2011). Evaluation as a concept and activity has multiple meanings. For this research, I have defined evaluation as: systematic information gathering and research to understand the effects of activities and projects. While "evaluation" and "assessment" are often used interchangeably, I will consistently use "evaluation" and only use the latter when referring to a more comprehensive, macro-level evaluation.

With this new focus on evaluative learning, are grantmakers adopting this new perspective? At what point in strategy implementation are grantmakers practicing evaluation and how is the timing of this practice related to its purpose? A review of literature on grantmakers, evaluation, and grantmaking help better understand the context and challenges of this shift to evaluation to strengthen organizational understanding.

Evaluation is a necessary tool for grantmakers, policy makers, the public,

and the media assess grantmakers to monitor and understand grantmaker and grantee achievement. The 21st-century has brought with it a new obligation for accountability that directly impacts philanthropy and its practice and utilization of evaluation (Behrens and Kelly 2004). In response to being held accountable for their grantmaking decisions, grantmakers have evolved to measure impact and improve based on evaluation data (Grantmakers for Effective Organizations and Council on Foundations 2009). Grantee outcomes reflect grantmaker effectiveness, and evaluation is the tool to understand and make the connection between the two.

Grantmakers primarily practice evaluation in support of performance-based grantmaking: grantee evaluation results are a condition of continued support (Campbell and Forti 2011). Grantmakers control the resources, require grantees to report on their impacts, and evaluate grantee programs at the end of the grant cycle for compliance and proof of value. These reports either focus on how and why a program works and how to improve on what does not, or to determine a program's effectiveness or value (Grantmakers for Effective Organizations 2011, 1-9). Grantmakers look for the most measureable data on grantee to determine the impact, which does not adequately reflect the impact of neither the grantee nor the grantmaker (Robert R. McCormick Foundation 2011). And yet, grantmakers continue to request this data, due to the demand from public policymakers to prove the value of their philanthropy. Funding and merit are awarded to those who can effectively and efficiently achieve their outcomes and

grantmaker goals. This contributes to a cycle of demand, stress, and burden for both parties.

But evaluation is not a confrontation of merit. The aforementioned process misrepresents evaluation and is better described as judgment. Evaluation should imply learning to understand, and can serve as a valuable instrument for grantmakers as they strive to effectively address issues, fulfill a need, and support solutions through their grantmaking. Many authors and foundations support enhancing the purpose of evaluation to inform learning, understanding, and drive institutional improvement (Grantmakers for Effective Organizations and Council on Foundations 2009). Despite the numerous modifiers (strategic, outcome-oriented, evidence-based), several sources share the outlook that evaluative learning enhances grantmaking performance (Chen 2011; Connolly 2008; Eckhart-Queenan and Forti 2011).

Evaluation is a resource to help foundations address a collection of internal and external issues. More than a measurement of achievement, evaluation can measure effectiveness (Carson 2000). It drives grantmaker decision-making, helps articulate their institutional goals and impact, and help them improve their giving. All of these uses relate back to a grantmaker's strategy, which evaluation monitors. Effective grantmakers utilize evaluation as an input and output in their strategic planning to build a culture of measurement (Eckhart-Queenan and Forti 2011; Kramer and others 2007). And yet, while foundations require their grantees to prove and attribute their impact with evaluations, grantmakers neither

recognize the potential uses of these results (Porter and Kramer 1999) nor apply the same standards to measure their own performance (Patrizi M.S.S. and Thompson 2011). Grantmakers fail to understand and use evaluation to strengthen future grantmaking (Chen 2011) and to improve their operations (Hatry and Lampkin 2001). If evaluation is important on an individual grant level, they should engage in it on an institutional level to strengthen their impact (Connolly 2008). Applied internally, evaluation results support organizational development—grantmakers envision and measure their progress against their established mission and goals (Kessler and Snowdon 2005; Patrizi M.S.S. 2006).

It is clear from these sources that when asked, grantmakers believe in the importance of evaluation to show, learn from, and improve their activities, and to show how their projects make a difference (Austin and others 2012; Behrens and Kelly 2004; Streatfield and Markless 2009). However, they do not apply enough value to their results (Porter and Kramer 1999).

A study conducted by the Center for Effective Philanthropy interviewed foundation executives about their views on evaluation. The conclusion was that traditional evaluation methods rely too heavily on formal grant applications, grantee reporting, and operating costs, which in turn only reveals a portion of grantee performance (Center for Effective Philanthropy 2002). This method fails to articulate the significance of the project as an expression of both grantee and grantmakers outcomes. However, these same foundations volunteer that they use evaluation for individual grantee-based decisions rather than to improve their

broader grantmaking priorities, practices and to articulate their overall impact.

Grantmakers put a priority on evaluation to understand what their grantees are doing, but should also use evaluation to learn how grantees are helping them. How else, besides evaluating grantees can foundations learn their progress in achieving their maximum impact? Both are important, and grantmakers need to balance accountability and understanding. Grantmakers first and foremost use evaluation to determine their grantees' effectiveness—but these grantmakers do not evaluate their grant programs or overall organizational performance. And it is this traditional evaluation practice (that is distinctly different from my proposed definition) that prevents grantmakers from evaluating their institutional performance. Grantmakers may not need to prove themselves, but they can still gain insight and improve their activity. In their eyes, evaluation is a tool for determining success or failure, and York argues that the "evaluation" as a word holds so many different meanings to different populations that this ambiguity is the first of several obstacles foundations must overcome to effectively practice evaluation (York 2011). Evaluation is interpreted as a rigorous, formalized assessment to a basic feedback survey. The wide range of complexity and activity involved in the practice implies that evaluation could be any measurement practice. Again, however, this study understands evaluation as a systematic information gathering and research to understand the effects of activities and projects.

Grantmakers struggle to make grantee evaluation relevant to an overall

program or institution. In general, there is a disconnect between foundation attitudes and practices in growing organizational effectiveness (Grantmakers for Effective Organizations 2011, 1-148). It is not that grantmakers are blind to the potential for evaluation to inform their grantmaking.

Institutional culture is the most basic impediment to foundations utilizing evaluation for the valuable purpose they acknowledge (Brest 2005). This refers to the standard practices utilized by a foundation, and their grantmaking and administrative traditions. Like previously mentioned, foundations traditionally rely on formal grant applications, evaluations and budgets to assess overall effectiveness and impact despite having little confidence in the accuracy of these methods. And even still, foundations continue to make evaluation a condition for continued funding rather than improve their grantmaking (Campbell and Forti 2011).

Effective grantmakers utilize evaluation in the development and expression of their grantmaking strategy, which illustrates the significant value in applying evaluations beyond grantee activities. Similar to the challenge in practicing overall performance evaluation and applying the results of grantee evaluations to make improvements in grantmaking, grantmakers believe in the value of strategy but rarely use it in their decision-making (Behrens and Kelly 2004). For this research, I will use the Center for Effective Philanthropy's definition of strategy: "a framework for decision-making that is (1) focused on the external context in which the foundation works and (2) includes a hypothesized

causal connection between us of foundation resources and goal achievements" (Bolduc and others 2007; Buteau, Buchanan, and Brock 2009). Chen states that evaluation is an input in the development of a foundation's grantmaking strategy, despite foundation's reluctance to utilize it for this purpose (Chen 2011).

As a grantmaker's strategy permeates all grant management and grant making, it is as effective as it is clearly articulated. Strategy is the basis upon which all foundation activities are built, anchored in their mission and the clarity and specificity of foundation goals is directly proportional all that follows: strategy, resources, expectations, and actions (Connolly 2008). Clarity is a common point made throughout the literature as an impediment for effective foundations. Ambiguity on what is being evaluated, why, and the many applications of evaluation and results is detrimental to effective philanthropy.

Throughout the literature, the recommendations for developing foundation evaluation and strategy provide little insight on how to successfully implement these changes in institutional practice. Institutional culture is recognized as a strong challenge in the transition to using evaluation as a dynamic tool for continuous learning and improvement, but like a common characteristic of stunted grantmakers, the claim does not go on to further describe the symptoms of this condition or to give advice on how to overcome this hurdle. The reports published by foundations who utilize evaluation as a learning and decision-making tool are guides for the sector but only one foundation acknowledges that their practices are specific to their organizational life stage (Patel and Miller 2012).

Evaluation is represented as a valuable tool but the relationship between grantee and grantmaker evaluation and grantmaking is still nebulous. If funders are unable to implement this practice, are they ineffective? Very few sources referred to the practice of performance evaluation, of which most mentioned that they are practiced infrequently. Once again, foundations see the theoretical value of this type of evaluation but have difficulty in implementing the practice. Deeper than institutional culture, what are the challenges in adopting evaluative learning? The literature provided a comprehensive look at the many types of evaluation and their potential, but gives no evidence of grantmakers using evaluation and the results to improve their grantmaking. Sources acknowledge the gap in translating value of evaluation to implementation, but do not look to understand why this gap is so prevalent. It is also noted that grantmakers seldom transform evaluation data into action. Even the few foundations that have published guides to utilizing evaluation omit how the practice and its data help them become better grantmakers.

There is the argument that integrated evaluation and evaluation-informed strategy are essential to grantmaker effectiveness. My research seeks to tests if this is true by exploring how foundations are practicing evaluation, why, and how they are using the results. I will determine the realistic challenges and considerations of regional arts grantmakers as they use evaluation to understand their grantmaking. If not evaluation, what informs a grantmaker's strategy, decision making, and how do they articulate their impact?

CHAPTER TWO – METHODOLOGY

I use foundation literature, grantee reporting forms, as well as interviews with program officers and other leaders in the region's philanthropy field to understand the role of evaluation in these grantmaking organizations. I gather data with which to fully understand the role of evaluation in these grantmaking organizations and to answer my research questions outlined below through qualitative research. Interviews, institutional documents, and additional publications on foundation evaluation will provide the necessary information to (1) learn what informs their institutional grantmaking strategy, (2) understand and convey the value of evaluation to grantmakers, and (3) analyze the relationship between the two.

I use this approach rather than survey questions to obtain consistent contextualized information that fully answers my inquiries. Additionally, "evaluation" and "assessment" are loaded words that may have different meanings to each grantmaker, and so interviews prevent confusion and allow me to understand each institution's interpretation.

My preliminary research reveals that there is a growing demand to

demonstrate the effective impact of grantmaking (Kessler and Snowdon 2005; Wyszomirski 1998). Grantmakers have transferred this burden to the shoulders of their grantees, but are reluctant to practice evaluation as a learning and improvement mechanism (Grantmakers for Effective Organizations 2011, 1-148). Sources acknowledge this disconnect between outlook and practice as proof that grantmakers must start using evaluation as a learning tool (Kessler and Snowdon 2005). Evaluation is integral to a grantmaker's strategy, development, effectiveness, and impact (Patrizi M.S.S. 2006). Based on that contextual information, my study asks the following conceptual questions:

1. **How do foundations develop their grantmaking strategy?**

   Grantmakers award money to organizations and projects whose missions and goals align with their own charitable objectives. But what information and practices do they use to define what organizational they will give to and how they will fund them? I recognize that evaluation should not be the sole tool that drives decision-making as one input and what are the others? What is the process to determine how they will fund and how is that output applied? How do foundations decide what amounts they award, who they select from the applicants, and for how long? How does a foundation's view on impact influence these decisions, and is it reflected in their strategy? Do foundations articulate their mission, vision, and desired impact and communicate how these decisions

are made?

2. **Do foundations measure their performance?**

   Paul Brest proposes that grantmakers use evaluations and other informal methods of feedback generation to hold themselves accountable for their goals and strategies (Brest 2012). But how many grantmakers place priority on evaluating their performance? How do they know if they are achieving their established missions, visions, and impacts? Conversely, how do they know they are not achieving their goals and on both sides, how can they measure this activity? Do they measure themselves against externally-shaped criteria of success or develop their own? Do they hold themselves to the same rigorous standards with which they evaluate their grantees? Do they use grantee evaluations to assess their organizational effectiveness or any other methods? Is this part of their strategic development cycle, meaning it is repeated, and educational? How do foundations construct this measurement to ensure that the process is useful and the information is likely to be used?

3. **How do foundations know that they are effective?**

   Armed with a strategy, what is the grantmaker's accompanying vision for success? What are their objectives and how do they intend to achieve them? What indicators reflect this success or

reflect the need for improvement, and how are both related to the overarching grantmaking strategy? Do grantmakers evaluate their grantees to reflect their program or institutional achievement?

What purpose(s) does evaluation have in foundations?

Evaluation is more than a tool to prove success and failure. Information gathering can be used to gather data to help grantmakers learn and improve (Grantmakers for Effective Organizations and Council on Foundations 2009). Do grantmakers use evaluation for this purpose? Is evaluation utilized in the development and improvement of their strategy, advocacy, or institutional performance assessment? The adoption of evaluation as part of their development cycle is cited to increase grantmaking impact (Behrens and Kelly 2004), but how do the grantmakers in this study relate to this claim?

4. **How does the perception of evaluation and its use influence the grantmaking process?**

   Evaluation can be interpreted as a condition for continued funding and the opportunity for criticism that grantees cannot control. Grantmakers are confronted with the demand to prove their worth, and this could affect how they perceive the purpose of evaluation. How do grantmakers perceive evaluation, and how does this affect their practice of it and the application of the results? How is this

perception reflected in their grantmaking activity?

My research is based on interviews with high-level representatives from seven grantmaking agencies in the Greater Philadelphia Region to learn first-hand the strategy behind their giving: how it is developed, and how it is evaluated. These interviews are supplemented by interviews with a Philanthropy consultant and representative from the region's grantmaking service organization (Appendix A). The purpose of these two additional interviews was to obtain a more general perspective on the subject of evaluation and accountability. I compiled a diverse interview list of grantmakers of all sizes using the membership of the Delaware Valley Grantmakers as a resource. Of the seven, there are three smaller foundations with annual grant budgets of under $2 million, one medium-sized foundation with an annual grant budget of $3.5-$4 million, and three larger grantmakers with annual grant budgets over $70 million. Theses budgets and all other reference of annual grant budgets throughout this paper are for their overall grantmaking and not only arts and culture supporting programs.

As the researcher, I am the key data collection instrument. However, I developed protocols to assist me in the consistent collection and organization. All interviews used a standard set of interview questions (Appendix B). Some responses prompted unscripted follow up questions, but all interviews were recorded, transcribed, and the responses organized according to four themes: institutional structure, evaluation-strategy relationship, articulated strategy, and grantee-program outcome relationship.

Alongside these interviews, I also reviewed publications and grantee evaluation forms the participating grantmakers. This provided background information as well as additional insight to the foundations' strategies. Relevant publications included their stated missions and giving objectives, strategic plans, annual reports, and additional reports that will be determined on a case-by-case basis. I found that some foundations publish reports specifically articulating their effectiveness and suggestions of how to be effective during my preliminary research.

There is an increasing focus on measuring the accountability and effectiveness of foundations and their grantees. Evaluation serves as an essential tool in making these measurements and tracking a project or foundation's progress in achieving its goals. This culture of measurement promotes data-informed practices—foundations and grantees can utilize the data from these evaluations to improve their impact (Austin and others 2012)—that foundations acknowledge as a valuable but do not apply to their grantmaking. Foundations must overcome challenges of institutional culture to integrate evaluation as an organizational tool for more than measuring achievement. Evaluation can help foundations learn, improve, and adapt; and as the external demand for funder accountability grows, foundations must be clear, informed, and strategic in their grantmaking.

My study tests the hypotheses that foundations value the practice and results of evaluation and but do use them to inform their institutional strategy. If

evaluation is not utilized what factors into a foundation's strategic development? What informs their decision-making? What is present and what is missing in their institutional cycle will give clarity to how foundations operate. I will explore how foundations are using evaluation—to measure their grantees, to learn about their grantees and stakeholders, to assess their institutional achievement, to improve their performance—and how (if at all) evaluation data contributes to their grantmaking strategy. I anticipate that the study will provide insight to foundations, grantees, and the public on the significance of evaluation and the ways in which it can reflect a foundation’s effectiveness. To show how grantmakers use evaluation will hopefully bridge the gap between grantors and grantees over the evaluation process. I hope to provide some transparency on the role of evaluation in grantmaker’s operations to encourage understanding between foundations and the grantees who are obligated to complete seemingly burdensome evaluations. Ideally, nonprofits will begin to replicate evaluative learning both facilitating the process, and improving the grantor-grantee relationship once they understand the importance of learning evaluations and the potential for the resulting data.

CHAPTER THREE
FINDING #1: INSTITUTIONAL CAPACITY AND HOW WE EVALUATE

Brest argues that institutional culture is the leading impediment to grantmaking agencies embracing evaluation: agencies are myopic in their commitment to institutional traditions as the only means with which they can uphold and carry out their mission that they are either oblivious to or unwilling to explore the dynamism of evaluation as a learning tool. (Brest 2005). But Brest oversimplifies the characteristics that contribute to a grantmaker's propensity for change, improvement, and how both are implemented. Institutional culture is truly the leading challenge to funding institutions adapting evaluation to monitor and understand their grantmaking, but it is more complex than an inclination. Foundations, beyond the macro level of their mission and program areas, are not wedded to tradition. To the contrary, they are intentional in learning how to improve the effectiveness that they define for themselves. Institutional culture is the deciding factor in not only but also how a funding institution practices evaluation. Grantmaking strategy and size, not an unwillingness to adopt new practices commands this culture.

A funder's grantmaking strategy (i.e. what the organization is funding and how the funds are distributed) and their propensity to practice evaluation and utilize the results from those activities to measure, learn, and improve their grantmaking are directly tied to their staff size. Organizational strategy and staff develop in tandem with and are symbiotic to the foundation's average grant amount, the types of grants awarded, and programs—all elements of the expanded definition of institutional culture. This new definition facilitates a greater understanding of the complexity of institutional culture and its relationship to the priority a foundation places on systemic evaluation.

The seven organizations interviewed represent the diverse range of funding agencies supporting the Greater Philadelphia region's cultural community. These organizations have from one to over one hundred full-time employees, give between approximately $100,000 and $82 million annually, work locally and nationally, and employ between zero to five staff assigned to programs specifically supporting arts and culture. Within this selection, these institutional culture characteristics revealed two clear grantmaker levels—small and large—with discrete institutional cultures and evaluation practices. The three foundations that award grants less than $10,000 are the same foundations with overall annual grant budgets under $2 million and a staff of two or less. The directors of these three foundations cited small grant amounts and staff size for why evaluating their grantees is of little value. One director commented, "It's hard to say what impact are we expecting from that little amount of money that

we can tie directly to what we do." It is difficult to attribute an impact to a grant that is not the sole source of funding for a grantee's project, and so what would be these smaller foundations look to answer in their evaluations? Additionally, what the foundation funds plays a significant role, and impacts what metrics can be developed to indicate if a foundation is meeting its goals. The value of evaluation is validated by what grantmakers can do with the data. In addition to their smaller capacity and individual grant amounts, these three foundations have extremely diverse portfolios under a single grantmaking program and staff. Their giving is led by the size and mission of their grantees more than their discrete projects. Their giving supports project-based and general operating support to primarily performing arts, visual arts, education, and other creative organizations with operating budgets under $2 million.

Staff size, grant amounts, and grant portfolios collectively provide compelling support as to why foundations with smaller average grant amounts and fewer staff do not give priority to analytical evaluation practice. This does not mean, however, that these foundations do not evaluate their grantees or learn how they can provide the maximum benefit through their grantmaking. They have independently adopted a similar method of evaluation to suit their grantmaking patterns and capacity, and to put priority on a rigorous evaluation during the application and selection process. All three of the foundations with overall annual grant budgets under $2 million put the heaviest emphasis on application evaluation, including site visits and review by a board or panel of

members of the city's cultural community. There is less rigorous examination of grantee progress and outcomes once grantees are selected. The intention is to encourage and accept only the highest quality applications, and to ensure at the onset that the foundations fund the most qualified grantees in line with their grantmaking mission. Again, unique impact is difficult to attribute through evaluation because of their small grant amounts primarily given to support general operating costs. But evaluation is still an important tool to measure whether or not a grantee is the qualified and capable of achieving the outcomes they set for themselves in their application. The three foundations right-size their evaluation activity in step with their grant amounts and a moderate vision for the impact of their grantmaking.

On the other end of the overall grant budget spectrum, three foundations award more than $70 million in grants annually, which is distributed across three program areas including arts and culture. Each program area has at least one program officer who manages larger, multi-year grants. The most distinct characteristic is that these grantmakers each have a staff dedicated to strategy and evaluation of their programs and overarching operations, with departments like "Planning and Evaluation" and "Strategy and Assessment." For these grantmakers, the greater individual grant amounts signify greater financial impact on fewer grantees per cycle. Their grants support entire programs, and many grantmakers have begun to specifically support projects so they may be the sole contribution source. These three grantmakers have the financial capacity and human resources

to have an articulated impact on their grantees, and are able to directly attribute their support as the source of grantee achievement. Because of the larger grant amounts and multiple programs, these foundations are compelled to hold themselves accountable for and monitor their progress in relation to their grantmaking strategy. Like their smaller counterparts, these grantmakers have developed evaluation practices suited to their grantmaking objectives and the role their grantees have in articulating them. Evaluation helps to systemize and generalize the outcomes of each discrete grantee to be valuable to the grantmaker's program and institutional effectiveness. This group of grantmakers performs evaluation at various points along the grant cycle and values continuous, formative evaluation to support program development. This is only possible with an evaluation team. Again, these foundations implemented their evaluation practices of their own volition. None of them felt an external pressure to prove the value and impact of their grantmaking. Instead, the foundations proactively applied this pressure on themselves to understand the impacts of their grants, track how that relates to them achieving their organizational objectives, and learn how they can be actively and improve the effectiveness of their grantmaking for the communities they serve. The larger grant amounts demands organization and accountability as an internal tool to understand the value and impact of their giving. The smaller foundations also feel little external pressure to hold themselves accountable for the impact of their grants.

The one medium-size foundation (with an overall annual grant budget of $3.5-$4 million) has three program areas with one officer per program, and awards grants in the range of $50,000-$75,000. The outlier among the two major grantmaking groups, this foundation is in a growth stage, exhibiting institutional qualities similar to the smaller foundations but working towards a vision more in line with the larger grantmaking organizations. Like the smaller foundations, they practice rigorous evaluation during the application review process, and this is their main method of evaluation. Like the larger grantmakers, their greater grant amounts allow them to uphold impact-oriented objectives and to directly achieve them through project-based grantmaking. It is this factor that leads them to think how to hold themselves accountable and monitor how their grants are helping them progress towards their grantmaking goals. This presents a new purpose for evaluation—new questions to answer—as the foundation works to shift how they envision their grantmaking effectiveness and indicators with which to evaluate their evolving organizational goals. Much like the aforementioned efforts of accountability and improvement from the larger grantmakers, the impetus for this medium-size foundation to change is self-imposed. At a critical juncture, this foundation is transitioning into a larger institution. They are currently going through a strategic planning process to understand and plan for this next stage in their organizational life cycle, which will be supported by updated evaluation practices.

The inclination for grantmaking agencies to practice evaluation as a learning tool is not based solely on their willingness to change their current evaluation practices and administrative routines. In their interviews, the participating organizations demonstrated not just a receptiveness to change and adaptation, but an eagerness to learn and improve. The grantmakers already use evaluation for these purposes. What further distinguishes these grantmaking organizations into two clear groups are the ends for their respective evaluations, which are prescribed by their organizational capacity and their grantmaking strategy. The director of one of the large foundations emphasized that evaluation reflects the *kind* of grantmaking you are doing (e.g. how your support is an extension of your organizational mission and objectives) more than the interest area. All of the participating grantmakers support arts and culture organizations and projects, but are distinct in their vision for what the sector needs and how their grantmaking addresses this. The available financial and human resources and how they distribute funding contributes to the definition of what each grantmaker is looking to learn from their evaluation. This is matching your evaluation approach to the purpose of your outcome data (Grantmakers for Effective Organizations 2011, 1-9). Ongoing evaluation throughout the grant cycle best fits the larger grantmakers who are looking for signs of grantmaker impact, and requires a certain set of data. Smaller foundations take a different approach to gather the data that is most relevant to their grantmaking goals to provide support and enhance arts and culture. Why search for signs of impact that cannot be

directly linked to their grants? Evaluation is a pervasive learning tool for grantmakers of all sizes that supports responsive grantmaking within the distinct orientation framework of each funder.

CHAPTER FOUR
FINDING #2: THE STRATEGY → EVALUATION → IMPROVEMENT CYCLE

A granting organization's overall annual budget and staff size has the strongest influence on their decision of what to support, how to distribute funding, and how to practice evaluation. All of which comprise a grantmaker's organizational strategy. Using Porter and Kramer's definition, strategy is "[the] distinct discipline that dictates foundation operations to have superior performance in certain areas" (1999). An organization's strategy can be of varying detail but is a written guide that outlines their decision making framework—what they are trying to achieve and what kind of grantees will help them achieve their goals. A strategic plan, priority areas, or a detailed mission all give some structure to what the funding agency hopes to achieve and articulate how their grantmaking fulfills those goals. Evaluation plays an important role in the process to develop and adapt this overarching strategy. Evaluation generates the information and understanding necessary for grantmakers to create and refine their strategies and related objectives, helps grantmakers monitor their progress (Grantmakers for Effective Organizations and Council on Foundations 2009), and, based on this strategy, gives structure to how grantees are selected.

To implement effective grantmaking strategy requires a continuous cycle of evaluation, learning, and improvement. Evaluation is an implicit learning tool integral to a grantmaker's evolution. All of the grantmakers interviewed have some degree of strategy in place and, most importantly, a corresponding method of evaluation to monitor their progress and make improvements where necessary. Once again, capacity plays a major role in the development and focus of a grantmaker's strategy. The three foundations with overall annual grant budgets under $2 million have no strategic plan in place, but align their grantmaking with well-defined priority areas. This allows the foundations greater flexibility in addressing these priority areas than with a comprehensive plan, which would be excessive considering their staff size, grant amount averages, and support-oriented missions. For one foundation, these priority areas shift with the socio-economic changes within its geographical boundaries. This same foundation has an annual board meeting dedicated to measuring their performance, evaluating the relevance of their priorities, and even resetting as needed. For all grantmakers, strategy rests on their mission and their available resources. And it is these resources that prescribe a grantmaker's strategy. The support-oriented mission and grantmaking of the smaller foundations focuses on the encouragement, assistance, and initiation of cultural opportunities among a defined community (usually local). These missions are accompanied by tractable goals and indeterminate organizational beliefs. These foundations have neither a defined challenge nor condition they are working to address nor an ultimate outcome they

are working towards through their grantmaking. They manage their expectations of what their grants can achieve and their strategy and evaluation practices reflect this. Their missions are not impact-oriented, and so it is fitting that neither their strategies nor their evaluation practices are impact-oriented. They are not out to be change agents, but rather aim to maintain and enhance the city's cultural experiences through their funding. These goals are distinctly different from those of the larger grantmakers, and so they demand a distinct strategy. This is why they and not the larger grantmakers award general operating support. Just like these foundations adapted evaluation practices best suited to their size and grantmaking strategy, they apply evaluation results relevant to their strategy, capacity, grant amounts, and grantees. For these foundations, the cycle of strategy→evaluation→improvement is used to understand what they, from an operations perspective can do to accomplish their support-oriented mission and are nimble in adjusting their strategic priorities. For smaller foundations, the cycle is applied to the application and grantmaking cycle to determine how these foundations can best support their grantees in enhancing their communities. The evaluation is also simplified in keeping with this much more fundamental objective. Changes are considered based on needs or trends observed during the most recent grantmaking period, are discussed among the board, and can be made at any time. The orientation of their grantmaking strategies even incorporates ways beyond financial investment to effectively achieve their missions, through offering workshops and direct services to both grantees and non-grantees. The

ability to offer more than financial support and the flexibility to adapt and improve grantmaking strategy during the grant cycle are great assets difficult to access by larger grantmakers.

The three larger grantmakers interviewed have staff specifically assigned to the strategy, planning, and evaluation of all of their grant programs. Having this staff allows the organizations to extend their strategy to consider not just how they are awarding grants and the structure of that cycle, but also how that relates to their overall organizational objectives and to the cultural sector at large. For these organizations, evaluation extracts generalizable data to make each program the best demonstration of the grantmaker's impact. The individual grants and their discrete outcomes have very little value to the grantmaker's evaluation of their effectiveness. These grantmakers take a methodical look at what is happening in the sector and articulate their strategy in response to the interpretation of their observations. Contrary to the smaller foundations, these grantmakers have taken on the responsibility to affect change and develop impact-oriented strategies. The success of larger grantmakers relies on an external issue or observation to which they have chosen to direct their grantmaking, whereas effective grantmaking for smaller foundations is defined by the elemental success of their grantees. This contrast can also be seen in how larger foundations are adapting their grantmaking to the new economic climate. As smaller foundations are working to provide additional, non-financial support to grantees and non-grantees, larger grantmakers have begun to directly implement programs and explore what valuable assets they

can offer to the populations that would benefit from grantee activities. This actually circumvents grantee funding for a more efficient solution that ensures goals are met and the progress towards success continues.

Evaluation is used to understand how well the grantmakers and their grantees are doing in relation to these strategies. For these organizations, evaluation answers "What have we done?" "What has changed?" and interpret that information to understand the strategic implications. Their strategy→evaluation→improvement cycle measures the progress of their strategy and looks for changes in the field that would call for a strategy adjustment—how their grantmaking can change to have the impact they desire. By incorporating external data into their strategic decision making, these grantmakers are able to be impact-oriented and proactive in their grantmaking.

The one medium-sized foundation once again straddles these two perspectives by using evaluation to develop and improve their grantmaking process and grantee support, as well to look at how their grantmaking and achievements relate to the cultural sector at large. They have no strategic plan, but have a strategy rooted in their mission and program areas. As they grow, they realize the importance of developing a concrete strategy and well-defined program areas for the benefit of both themselves and potential applicant organizations. As they develop their strategy, they have begun, like the larger foundations, to extend their strategy and evaluation to include what is happening in the sector. This foundation recognizes the scalable capacity of evaluation,

strategy, and improvement. The challenge now is to methodically determine what community, issue, or observation is most relevant to their mission and how this can generate a new strategy and its evaluation.

Evaluation goes beyond measuring the success of a grantee or program. Foundations have adopted evaluation as a learning tool and place priority on implementing evaluation to check and improve their grantmaking as it relates to their objectives and then utilize the results to continuously update their strategy. Evaluation is essential in effective grantmaking, the funder must first be clear of what effectiveness means to them. What are they trying to accomplish and what meaningful information can indicate their progress? Once your strategy is established and it is clear what your grantmaking looks to accomplish, evaluation helps to understand your organization's contribution to the sector and to improve your grantmaking. Using goals to articulate how your foundation will implement its strategy provides the metrics with which you will measure your progress and enables you to catch the meaningful data your organization needs. All of the grantmakers that participated in this study have clear strategies and goals. Some are more transformative than others, but again that is proportional to organization size and grant amount averages, and does not diminish effectiveness. A foundation's strategy and goals should reflect the resources available to them and the kind of grantmaking they do. Evaluation is a "precursor to effective strategy" (Grantmakers for Effective Organizations and Council on Foundations 2009), but each organization's strategy defines effectiveness unique to their organizational

structure. However, the most recent economic recession forced grantmakers to rethink their grantmaking and look at how they could do the same or even more with less available funds, and the new needs generated by these economic changes. Larger grantmakers have begun to directly implement programs that serve their target communities. This is a new way to leverage grantmaker resources that reflects a transitional moment for funding organizations of all sizes. This shift in strategy is already integral to how smaller foundations serve their grantees and communities.

CHAPTER FIVE
FINDING #3: INDIVIDUAL GRANT EVALUATION & PROGRAM ASSESSMENT

When we think of evaluation's role in the grantmaking cycle, we immediately think of evaluation of grantees at the end of their grant. But evaluation is a dynamic tool and this is just one of its many applications. Grantmakers perform evaluation of varied focus at different stages in the grantmaking cycle, with different purposes. I have already discussed evaluation at the application stage, and evaluation of grantees. Rigorous evaluation during the application review process is the primary point during which grantmakers focus on the potential grantee as an individual organization. Their mission, projects, staff, role in the creative community, and finances are all reviewed to ensure that the grantmaker awards the funding to the organization that best fits their strategy and current goals. All of this information is highly relevant to whether or not the smaller foundations achieve their mission and vision, which is expressed directly through the accomplishments of their grantees. Once these grantees are selected, subsequent evaluation is intended to monitor their progress. For these foundations, evaluation is more informal and largely conversational, taking place among board

members during board meetings. The evaluation conversation is based on an agreed interpretation of organizational mission and priority areas. One of the smaller-sized foundations in this study keeps a written copy of their priority areas and how each relates to their organization's mission posted during the board's application selection process. This can be attributed to capacity, but is primarily due to the individual grant amounts in relation to the total cost of a grantee's project or program. Each representative of the three smaller foundations, and to some extent those from the medium-size foundation, acknowledge the little bearing their funding has on grantee success. Their funding is not a controlling factor for grantee achievement, but rather is a contributor to the collective impact of multiple grantmakers. And for this reason, these grantmakers practice the most robust evaluation at a point where their decision is independent from other institutions. This may also be directly related to the absence of clearly articulated strategic plans among these smaller foundation. A strategic plan, unlike a general grantmaking strategy, defines the funder's goals and the resources and activities needed to achieve them. These activities in turn translate into indicators of progress and ultimately successful, effective grantmaking. Progress cannot be evaluated without clear goals. For this size funder, supported grantees and their successful projects and programs is the sole indicator for effective grantmaking.

By contrast, for the larger grantmakers the evaluation process is ongoing and systematic. These larger funders provide multi-year grants and thus require multiple check-points during grantee projects to review the progress thus far,

examine what is working and what is not, and determine how the grantees should adapt. Subsequent evaluation is necessary to translate a grantee's outcomes into the fulfillment of program and grantmaker objectives. These funders, with their impact-oriented missions and objectives, require efficient methods to gather generalizable data that can express discrete grantees as steps towards the achievement of grant program goals and fulfillment of their overall organizational mission. This robust and continuous activity is supported by staff dedicated to evaluation. At this point, grantees are reduced to units of overall or program strategy fulfillment. A foundation works through and achieves its goals through its grantees (Davis Picher and Yetman Adams 2011), and throughout a grantmaking cycle, individual grantee evaluation is a valuable resource in the evaluating the larger grantmakers within the larger picture—the effectiveness of a foundation's strategy and its grantmaking programs. Setting patterns to efficiently organize this data is essential, however there is the risk of creating a homogeneous standard evaluation that overlooks the nuanced results of discrete grantee projects that could be meaningful in measuring the progress of the arts grants program. The systems are developed by or with the assistance from third party consultants. This study found that they are hired to evaluate organizational performance and are only tangentially involved in individual grantee evaluations in that their results have a trickle down influence to grant-level analysis. Consultants audit grant program related documents and talk with grantees to test the program's theory of change and outcome fulfillment. Only one of the larger

grantmakers in this study used external evaluators in their selection and grantee evaluation processes. Here, the responsibility to evaluate the external factors related to the organizational and program strategies and to evaluate the grantees is distributed between staff and convened panels, respectively. These two activities, however, are cyclical: the panel evaluations of discrete grantees lead to larger policy discussions, inform evaluation staff research, planning, and strategy, which then informs how the next panel performs its duties.

This process sacrifices the grantee's identity to explore the commonalities of their and their grantmaker's outcomes. The larger grantmakers have multiple investment areas or programs and more complex, impact-oriented grantees. However, the translation of grantee outcomes to organizational impact remains a scalable and dynamic form of internal performance assessment that can be incorporated into the grant management process. For this reason, the perspective that a grantmaker's effectiveness is reflected in its grantees is shared across organizational size, structure, and overall annual grant budgets. What is unique, however, is the information grantmakers collect, how it is collected, and how they synthesize their grantee information.

The smaller foundations recognize the collective value of their grantees, but their support-oriented missions and their capacity allow them to keep their focus the individual grantee and as a stakeholder. Two of the three smaller foundations take a discursive approach to grantee reporting and use this opportunity to get feedback about both the grant-supported project and the

grantmaking process. Their grantee reports at the end of the grant are simple: they compare the actual grantee outcomes to the outcomes proposed in the application. These outcomes are defined and measured by the grantee, with the grantmaker encouraging their articulation. To learn more, these two foundations talk with their grantees so that they can both learn what worked and what did not during this process, and why. They use an open and unstructured process to allow grantees at any point in the grant cycle to feel comfortable communicating how the grant-supported project is going, what is happening, and what might need to change. This accessibility is a unique benefit of working with smaller foundations. One foundation also holds breakfasts for small groups of grantees working on similar projects or within a similar discipline to foster peer learning and relationship building. This accessibility is simultaneously their assessment mechanism and an indicator of their foundation effectiveness. Their goals are not impact-related and so they don't interpret their success against the condition of a sector trend or issue, but by how they are able to help their grantees achieve their outcomes. These foundations aim to support, nurture, and enhance through their grantmaking rather than to improve or achieve. With this intention, the smaller foundations are injected with a sense of empathy; as one director said, “we’re only doing as well as our grantees are doing.” The application review process verifies the alignment of their grantmaking priorities and their grantees’ goals, and the grant period builds on this shared investment. These foundations utilize

evaluation to collect grantee feedback and to improve the grantmaking experience, which is component of their grantmaking strategy.

For the medium and larger grantmakers, there is more of a priority on utilizing grant-level evaluation as a unit of analysis to learn about a program's collective impact. The medium-size foundation currently places more emphasis on the initial review of the project, followed by interim and final reporting in an effort of stewardship—to ensure that the grantees are doing and have done what they had set out to do. The perspective remains that the grantmaking experience is an important element in their operations. But as this foundation transitions from a family foundation to an independent grantmaker, the staff is working to build a system where individual grantee evaluation can be used to effectively determine the larger impact of its respective program. Still relatively small with an overall annual grant budget of under $5 million and a program officer for every two programs, this foundation is exploring the efficient implementation of dual-purpose evaluation: to determine that their grantees are doing well and how they as a foundation can use that information to learn about and improve their programs. Currently, like the smaller foundations, program evaluation is directly linked to the achievements of their grantees but they hope to find an efficient way to synthesize that to reflect collective impact and improve their grantmaking.

Because of their available resources to support staff dedicated to assessment and evaluation, larger grantmakers utilize a two-tiered evaluation system allows grantees to articulate their self-defined outcomes for individual

grant evaluation, and monitors the programs according to grantmaker-defined outcomes. Because the evaluations serve two different purposes, they are developed separately and utilize different grantee information. Grantee evaluation lets grantees self-evaluate using the grantmaker's reporting process. Second, grantees are used as individual units of analysis to evaluate an overall grant program.

Through grantee reporting or during the grant management process, evaluation becomes a learning resource for grantmakers to increase the productivity and the effectiveness of their grantmaking (Porter and Kramer 1999). For the three larger grantmakers, grantee evaluation is a tool with which to measure accountability. Grantees are evaluated based on the unique goals they set for themselves at the start of their grant period. At the program level, grantees are a tool to achieve program objectives and foundation strategy, and so they are evaluated through the framework of the grantmaker's program strategy and outcomes. While it is important to monitor grantees to ensure they perform according to their application, evaluation is a tool to understand, maximize, and articulate organizational effectiveness. The programs are effective if the grants are helping the foundation to achieve their unique mission. Evaluation verifies that grantmakers are supporting the best organizations for this purpose. These grantmakers apply more value to the program-level evaluation and its collective outcomes, which are translated into something actionable to make internal improvements—whether it be advocacy, new policies, or updated program

strategies and guidelines. For these larger foundations, there is a clear emphasis on program evaluation, collective impact, and less priority on grantee accountability. Grantees and their specific outcomes are understood to be the means for the larger grantmakers to achieve their impact, which is distinctly different from the role individual grantees have in how smaller foundations evaluate their overall performance. This can be attributed to the impact-associated outcomes of the larger foundations and their need for measurement. Grantees are a reflection of the grantmaker in both instances. However, larger grantmakers have impact-oriented missions and more elaborate objectives that require discernment, organization, and articulation of how their grantees lead them to effective program and overall organizational impact.

CONCLUSION

Seven grantmaking agencies of varied scale were interviewed to test whether foundations actively value the theory of evaluative learning, but are unable to adopt this practice due to institutional tradition. Grantmakers do face challenges in adopting and adapting evaluation as an organizational learning tool, but these challenges are not due to a reluctance or discomfort with change. Instead, size and overall annual grant budgets have the heaviest bearing on their strategy and evaluation practices. These two factors make how grantmakers evaluate an issue of *capacity* (i.e. what they can do) not willingness. Foundations that do not practice formal evaluation to assess their grantmaking programs and their grantees still recognize the value of evaluation and have developed unique systems to evaluate their grantees and themselves, but nonetheless utilize evaluation for distinct purposes. This grantmaker population acknowledges the value of evaluation for their grantmaking and actively works to adopt practices that work best for the size, overall budget, and strategy of their organization.

This study intended to examine how grantmakers in the arts in the Greater Philadelphia region practice and utilize evaluation in comparison to published reports that grantmakers are reluctant to use evaluation to improve grantmaking

(Chen 2011), and that there is a gap in translating evaluation into actionable improvement (James Irvine Foundation and FSG Social Impact Advisors 2009). Based on reviewed literature, I expected a disconnect between grantmakers' evaluation of their grantees, learning from the acquired data, and improving their grantmaking. I also anticipated many grantmakers would be reluctant to provide me with the details on how they evaluate—specifically how they evaluate themselves—as my initial scan of relevant literature indicated that foundations retell a selective story even when volunteering their experience with evaluation. All seven grantmakers were very forthcoming with information about grantee and program evaluation. And while their interview responses may be selective, so are evaluation data and both depend on context to provide a fuller account. This contextualization is why I performed interviews instead of surveys. Foundations may praise the value of evaluation as an organizational learning tool, but their subsequent actions are discrete activities that require time and attention to generalize or compare as they are contingent on each grantmaker's interests and value choices.

Participating grantmakers view evaluation as a valuable learning tool that helps them track the progress of their grantmaking objectives and learn about and improve their operations. This outlook is a growing trend for grantmakers, as funding streams slow and organizations look to be more efficient and relevant with less funding. Grantmakers understand the greater institutional benefits of evaluation and are more likely to utilize evaluation as a tool for organizational

learning and improving grantmaker effectiveness than as a grantee accountability tool.

It is not a reluctance to implement evaluation, but rather a need to align their evaluation with their organizational structure and strategy, of which no two are alike. Smaller foundations may lack the capacity to determine the direct impact of their grants, but such effort is unnecessary when considering their strategies are not directly impact-associated and their grant amounts are a fraction of what grantees need to achieve their outcomes. These foundations are unable to directly connect their grants to major impact on an issue, but it does not deter their use of evaluation. This honesty and acceptance is incorporated into their grantmaking strategy and evaluation purpose. Evaluation is a multipurpose tool that should be adjusted according to its intended purpose and scope. For these foundations, evaluation remains a tool incorporated into the grant management process to help the grantmaker track its effectiveness on their self-defined terms, and confirms the association between strategy and evaluation as tools of an effective organization. All grantmaking has an impact, but the decision of if and how it needs to be measured rests with the grantmaker and is guided by their mission orientation. Grantmakers do not need to affect significant change to be impactful—impact and effectiveness are relative to every grantmaker's interpretation. Foundations of all sizes use grantee evaluation to reflect and improve the overall performance of a grant program or foundation—to articulate,

monitor, and verify their institutional objectives, which are unique to each grantmaking organization.

None of the grantmakers exhibited an unwillingness to learn from evaluation and adapt their grantmaking processes or strategies based on their discoveries. Instead, what stood out were the diverse purposes of evaluation built on the grantmaking strategies that were roughly fixed to staff size and overall annual grant budget. How and what grantmakers evaluate must be designed to match the need and purpose of the information (Grantmakers for Effective Organizations 2011, 1-9). The smaller foundations utilize evaluation to ensure effective grantmaking through managing the grantmaking experience for the grantee. Due to their small staff and grant amounts, small foundations are looking to neither maximize nor improve their impact, but rather want to select grantees most poised to enrich the sector as defined by each grantee. Smaller foundations orient their evaluation practices towards a more passive grantmaking strategy—mission fulfillment is a direct extension of a successful grantee project or program. The goals and achievement indicators are different from those of larger grantmakers, which is reflected in the different needs, purpose and how they practice evaluation. There is no next step to align grantee success with foundation mission or objectives, as their objective is to select and support the most qualified grantees, not to make an articulated impact on a community. The smaller foundations in this study utilize their customized evaluation methods to be responsive in their grantmaking and adapt to the needs of their applicants and

grantees. However, they still appear hindered by traditional, support oriented grantmaking strategies. Grantmakers should feel neither limited nor satisfied with more passive grantmaking strategies because of their organizational size or capacity.

The larger organizations utilize evaluation as a strategic learning tool—to understand the collective impact of their grantees under each program, and how that reflects their effectiveness—to improve the grantmaking experience is a secondary purpose acknowledged by only one of the three larger grantmakers. For the three larger grantmakers, evaluation serves as an internal tool with which to understand and monitor strategic progress. There is little focus on individual grantees and their project-specific outcomes beyond accountability measures. Grantees are a component that contributes to a foundation's impact. They are the vehicles that carry the primary expression of the larger grantmaker's outcomes rather than embody them. These same three grantmakers also had distinctly more resources compared to the smaller foundations that demanded and enabled them to perform this level of evaluation: greater annual grant totals, greater average grant amounts, and dedicated evaluation staff. And while the larger organizations more than the smaller foundations acknowledged a growing focus on data-driven outcomes and a demand for accountability. None felt external pressures to prove their organizational value. The larger grantmakers had implemented evaluation practices to monitor their accountability and impacts of their grantmaking. If

anything, this new focus prompted improved evaluation—to find new ways to clearly show the impacts they were already tracking.

Grantmaker size directly influences how grants are made and the capacity to properly monitor and evaluate them. Staff size and financial capacity also control a grantmaker's strategy and objectives. The most recent economic recession forced grantmakers to rethink their grantmaking and how to leverage their resources. Foundations are exploring ways beyond financial investment to achieve their goals and support their priority areas. While this has been part of the strategy for smaller foundations, it is a consideration in the medium-size foundation's strategic plan development. Many are either going through or have recently finished a strategic planning process, and all are trying to adapt their effectiveness to a new economic climate. New evaluation tools must accompany these adjusted strategies and goals.

It is unfair to measure grantmakers against a universal standard or evaluation to which they do not hold themselves. The funders in this study are responsible for fulfilling a broad mission whose interpretation is ever-changing and correlative to the situational context. The key is to use their interpretation to develop a strategy and indicators with clearly defined, manageable outcomes, which is possible regardless of size or annual grant budget. It is only when these strategies, indicators, and outcomes become more complex that capacity becomes an obstacles.

Evaluation is a dynamic tool that no two grantmakers practice the same way because of their institutional culture. A universal standard of evaluation is unrealistic, but my findings show that one can determine how a grantmaker will practice evaluation and the purpose of the process based on my expanded definition of institutional culture and mission orientation.

Smaller foundations have commented that they are not interested in achieving impact through their grantmaking because they do not have the capacity to evaluate their efforts. The larger grantmakers hold themselves accountable to demonstrate their impact because the connection between their grantmaking and their objectives is complex and needs to be articulated to be understood. The data both groups of grantmakers collect are first and foremost (if not exclusively) for their private benefit, as it collected through the perspective of their grantmaking objectives. Grantmakers small and large struggle to articulate and measure meaningful organizational objectives, but this should not restrict the orientation or impact of their funding. Thinking of effective capacity strictly as financial resources is the real tradition that holds grantmakers back. Instead, it should serve as a challenge to spur innovative strategies and policies that best fulfill the grantmaker's mission and program goals, where applicable.

Further research would be useful in exploring why even articulating their process for external audiences is rare among grantmakers of all sizes. It can be presumed that once again, capacity and overall annual grant budgets are a factor, but what is holding back larger grantmakers?

Despite literature exhorting all foundations to have a transformational impact through their grantmaking (Grantmakers for Effective Organizations 2011, 1-9), that is not the reality my study found. Grant amounts and staff size remain the primary factors in how a grantmaker establishes its strategy, goals, and they best way to evaluate them.

Organizational size, overall annual grant budget, and the other aspects of institutional culture do not preclude the adoption of innovative strategy, but poses a serious hurdle to the process. If a grantmaker's impact cannot be limited by grant amounts and staff capacity (Grantmakers for Effective Organizations 2011, 1-9), how can a grantmaker scale their evaluation approach to fit this growth and be a sustainable practice? Effective evaluation remains a challenge to even larger grantmakers because of the time and labor required to effectively implement the evaluation that best fits their impact-oriented grantmaking. Recognizing that evaluation must be designed according to how the information will be used, we should consider a concise, scalable evaluation tool. As grantmaking organizations evolve, so do their strategies and outcomes, generally becoming more impact-oriented. As they grow in size and resources, so do their grant amounts, objectives and their orientation, and so must their approach to and purpose of evaluation. Further research will develop potential solutions that allow grantmakers to successfully adopt impact-related strategy and outcomes despite the abovementioned features of institutional culture that have been traditionally limiting.

BIBLIOGRAPHY

Austin, Jamie, Rebecca Cherin, Sam Cobbs, and Stefanie Demong. 2012. *Counting aloud together*. Stanford social innovation review blog. Stanford, CA: Stanford Social Innovation Review.

Behrens, Teresa R. and Thomas Kelly. 2004. Paying the piper: Foundation evaluation capacity calls the tune. *New Directions for Evaluation* 2008, no. 119: 37-50.

Bolduc, Kevin, Ellie Buteau, Greg Laughlin, Ron Ragin, and Judith Ross. 2007. *Beyond the rhetoric: Foundation strategy*. Cambridge, MA: Center for Effective Philanthropy.

Brest, Paul. 2005. In defense of strategic philanthropy. *Proceedings of the American Philosophical Society* 149, no. 2: 132-140.

Brest, Paul. 2012. A decade of outcome-oriented philanthropy. *Stanford Social Innovation Review,* Spring 2012, 42.

Buteau, Ellie, Phil Buchanan, and Andrea Brock. 2009. *Essentials of foundation strategy*. Cambridge, MA: Center for Effective Philanthropy.

Campbell, Kelly and Matthew Forti. 2011. Showing results matters, but charities should let evaluation evolve. *The Chronicle of Philanthropy,* Oct 17 2011.

Carson, Emmett D. 2000. On foundations and outcome evaluation. *Nonprofit and Voluntary Sector Quarterly* 29, no. 3: 479-481.

Carter, Janet. 1992. Evaluation in foundations. *American Journal of Evaluation* 13, no. 1: 33-35.

Center for Effective Philanthropy. 2002. *Indicators of effectiveness: Understanding and improving foundation performance*. Boston, MA: Center for Effective Philanthropy.

Chen, PeiYao. 2011. Evaluation through a learning lens. *Stanford Social Innovation Review,* June 8 2011.

Coffman, Julia and Tanya Beer. 2011. *Evaluation to support strategic learning: Principles and practices*. Washington, D.C.: Center for Evaluation Innovation.

Connolly, Paul M. 2008. *Maximizing foundation effectiveness: Aligning program strategy, organization capacity, strategic planning, and performance assessment to achieve success*. New York, NY: TCC Group.

DeVita, M. Christine. 2005. *How are we doing? one foundation's efforts to gauge its effectiveness*. New York, NY: The Wallace Foundation.

Easterling, Doug. 2000. Using outcome evaluation to guide grantmaking: Theory, reality, and possibilities. *Nonprofit and Voluntary Sector Quarterly* 29, no. 3: 482-486.

Eckhart-Queenan, Jeri and Matthew Forti. 2011. *Measurement as learning: What nonprofit CEOs, board members, and philanthropists need to known to keep improving*. Boston, MA: The Bridgespan Group.

Davis Picher, Helen and Sandra Yetman Adams. 2011. Evaluative tools for articulating and monitoring foundation strategy. *The Foundation Review* 2, no. 3: 36-51.

Grantmakers for Effective Organizations. 2012. *Four essentials for evaluation*. Washington, DC: Grantmakers for Effective Organizations.

———. 2011. *How do we approach impact and evaluation in the context of scale?*. Washington D.C.: Author.

———. 2011. *Patterns and trends in grantmaking: A national field study of grantmaker practices-- 2011*. Washington, D.C.: Author.

Grantmakers for Effective Organizations and Council on Foundations. 2009. *Evaluation from philanthropy: Perspectives from the field*. Washington, DC: Grantmakers for Effective Organizations.

Gullickson, Amy M. 2010. Mainstreaming evaluation: Four case studies of systematic evaluation integrated into organizational culture and practices. Ph.D., Western Michigan University ProQuest Dissertations & Theses A&I.

Hatry, Harry P. and Linda M. Lampkin. 2001. *An agenda for action: Outcome management for nonprofit organizations*. Ed. Harry P. Hatry and Linda M. Lampkin. Washington, DC: Urban Institute.

James Irvine Foundation and FSG Social Impact Advisor. 2009. *Snapshots: How foundation trustees use evaluation*. Evaluation kit for trustees. Ed. James Irvine Foundation and FSG Social Impact Advisor. Vol. 1. San Francisco, CA: James Irvine Foundation.

Kessler, Shelly and Ashley Snowdon. 2005. *Funding for impact: How to design strategic grantmaking programs*. New York, NY: TCC Group.

Kramer, Mark, Rebecca Graves, Jason Hirschhorn, and Leigh Fiske. 2007. *From insight to action: New directions in foundation evaluation*. Boston, MA: FSG Social Impact Advisors.

Mott, Andrew. 2003. *Evaluation: The good news for funders*. Vol. June 2003. Washington, D.C.: Neighborhood Funders Group.

Patel, Mayur and Elizabeth Miller. 2012. *New approaches to evaluating social innovation*. Knight blog. Miami, FL: John S. and James L. Knight Foundation.

Patrizi M.S.S., Patricia. 2006. *The evaluation conversation: A path to impact for foundation boards and executives*. Practice matters: The improving philanthropy project. Ed. Patricia Patrizi M.S.S. Vol. 10. New York, NY: Foundation Center.

Patrizi M.S.S., Patricia and Elizabeth Heid Thompson. 2011. Beyond the veneer of strategic philanthropy. *The Foundation Review* 2, no. 3: 52.

Porter, Michael E. and Mark R. Kramer. 1999. Philanthropy's new agenda: Creating value. *Harvard Business Review* 77, no. 6: 121-130.

Robert R. McCormick Foundation. 2011. *Program evaluation guide*. Chicago, IL: Author.

Streatfield, David and Sharon Markless. 2009. What is impact assessment and why is it important? *Performance Measurement and Metrics* 10, no. 2: 134-141.

W.K. Kellogg Foundation. 1998. *W.K. Kellogg foundation evaluation handbook.* Battle Creek, Michigan: Author.

Wyszomirski, Margaret Jane. 1998. The arts and performance review, policy assessment, and program evaluation: Focusing on the ends of the policy cycle. *Journal of Arts Management, Law, and Society* 28, no. 3: 191-199.

York, Peter. 2005. *Funder's guide to evaluation: Leveraging evaluation to improve nonprofit effectiveness*. Nashville, TN: Fieldstone Alliance.

York, Peter J. 2011. *Success by design: How R&D activates program innovation and improvement in the nonprofit sector*. New York, NY: TCC Group.

APPENDICES

APPENDIX A: INTERVIEW LIST

FOUNDATION	NAME	TITLE
Barra Foundation	Kristina Wahl	President
Barra Foundation	Kristi Poling	Program Officer, Arts & Culture and Education
Fels Foundation	Helen Cunningham	Executive Director
John S. and James L. Knight Foundation	Mayur Patel	VP, Strategy and Assessment
Pew Charitable Trusts	Doug Bohr	Officer, Culture Program
Pew Charitable Trusts	Lester Baxter	Director, Planning and Evaluation
Philadelphia Cultural Fund	June O'Neil	Manager
Stockton Rush Bartol	Beth Feldman Brandt	Executive Director
William Penn Foundation	Helen Davis Picher	Interim President

ORGANIZATION	NAME	TITLE
Delaware Valley Grantmakers	Ashley Feuer-Edwards	Director of Member Services
Helicon Collaborative	Holly Sidford	President

APPENDIX B: INTERVIEW QUESTIONS

I. How do foundations develop their grantmaking strategy?

1. What are the most influential factors shaping your operations, grant programs, and decision-making?
    a. What/who drives your decision-making and grantmaking strategy?
2. How do you see your funding having an impact?
    a. How do you hope to impact your grantee? Your community?
3. Does your foundation have a strategic plan?
    a. How was that developed?
    b. What are the resulting objectives?
    c. Who was involved in that process?
    d. What elements of foundation operations does it cover?
    a. How do you see these objectives reflected in your grantmaking decisions?
    b. How pervasive are these objectives in your foundation's administrative operations and communications?
4. What is the process you use to determine who and how you will fund and how is that decision made?

II. Ho do foundations measure their performance and know they are effective?

1. How do you know your objectives and impacts are being achieved?
    a. Conversely, how do you know when you are not achieving their goals and on both sides, how is that measured?
2. What do you expect from your grantees and how are they measured?
    a. What questions are you looking to answer?
    b. What are the impact indicators?
    c. With what frequency?
    d. How do you use the data?
3. How much of a priority is it to assess 1) your grantees and 2) your foundation's overall performance and effectiveness?
    a. For what reasons?
4. How do you perceive the public expectations of your foundation’s impact and do you feel pressure to prove the value of your programs?
    a. From where does that pressure come?
    b. Are your operations informed by these pressures?
5. What tool(s) are used to measure your performance and how were those developed?
6. What data (sources) do you use to measure your foundation's overall

performance? Your programmatic work?

   a. What direct and indirect indicators of effectiveness are used?
   b. From whom/where do you gather information (grantees, board, staff, beneficiaries)?
   c. For what purpose do you gather this information?

7. How much of a priority is it to understand your foundation and/or arts program's effectiveness?
   a. What systems are in place to help you in this effort?
8. Do you find that there is a growing focus on evaluation and assessment (data-driven)?
   a. Do you believe that this is limiting your ability to take risks on grantmaking to innovative ideas?

III. What purpose does evaluation have?

1. What is your/your foundation's attitude towards and practice of program evaluation and foundation performance assessment?
2. What use(s) do(es) evaluation have for your foundation (ideal and actual)?
   a. What are the values and relevant uses of evaluation?
   b. For whom/what purpose is the evaluation data most useful?
3. Do you look at resources and information from foundation service organizations (e.g. GEO) or their grantmaking colleagues to learn best

practices for evaluation, assessment, and utilization of the resulting data?

4. Are grantee evaluations useful in grant management and strategy?
5. Is grantee effectiveness (evaluation) a significant measurement for overall foundation performance?
6. How do you translate formal evaluations into relevant, meaningful information for the foundation?
7. What is the primary challenge you face in evaluation practice?
8. Do you provide resources or assist your grantees in understanding and demonstrating the effectiveness of their programs?